

THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D. C. 20505

National Intelligence Officers

20 February 1981

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

THROUGH : Deputy Director for National Foreign Assessment
National Intelligence Officer for Warning

FROM : []
Acting NIO for East Asia

SUBJECT : East Asia Warning Assessment

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The following items were discussed by the Community Representatives at the 18 February Warning Meeting. (U)

China

1. Analysts again addressed the question of political ferment in China, but the discussion remained inconclusive. It is now generally accepted that there has been a reversal of a wide range of policies, by no means confined merely to the economic sphere, and that there have been numerous, but inconclusive, signs of political disarray over the past two months. It is not clear yet whether these changes are permanent and strategic or temporary and tactical. Most analysts appeared to accept the proposition that Deng Xiaoping has suffered a reverse since December, but a strong minority opinion suggested that Deng had merely traded some cherished policies for a further increment of power. It is certainly true that no important leader (except the aging economic czar Chen Yun) seems to have increased his authority at Deng's expense; on the other hand it is also difficult to see how Deng's power has increased if he has been unable to defend and protect important programs on which his reputation is largely based. The role of the military in the putative infighting appears important but its impact cannot yet be fully assessed. In any event, no analyst suggested that a new round of political madness (such as Cultural Revolution) was in the offing. Most analysts believed that the political infighting would spill over into the arena of foreign affairs, but the degree to which this would happen remains problematical. Several analysts thought that the

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great sensitivity that China has shown to the possibility of moves by the new administration regarding the Taiwan issues reflected Deng Xiaoping's desire to protect himself on a sensitive issue, one which leaves him exposed. In this connection some analysts pointed to the strong Chinese reaction to the possibility of Dutch submarine sales to Taiwan as a development that should be viewed very largely in the bilateral Sino-US context. The view was advanced that if the sale became final Beijing could well break relations with the Hague. (C)

China Trade

Tokyo's reaction to China's cancellation of a series of significant economic deals has been unusually strong reflecting serious unhappiness with the course of events and possibly some deeper concern about the course of Sino-Japanese relations. While the Japanese have raised the possibility of instituting economic steps which would forestall future trading with the PRC, the Japanese are unlikely to go quite this far. Most analysts view this as a pressure tactic designed to draw as much compensation from the Chinese while preserving the essence of the political relationship with the PRC which the Japanese consider fundamental. The Japanese are, nonetheless, sensitive to the fact that they have suffered the heaviest economic impact of China's retrenchment, are uncertain as to its full meaning. Should the Japanese come to believe that the Chinese actions are in any way politically motivated then damage to the relationship could result. (S)

North Korea Reaction to Chun Visit

In the wake of the visit of President Chun Doo Hwan to the US Pyongyang has stepped up the intensity of its anti-Chun rhetoric. There is at this point no evidence of any change in North Korea's policy vis a vis the South and the US, now has Pyongyang's military posture vis a vis the South altered in any significant way. (C)

Thai-Lao Border

Analysts agreed the closing of the Thai-Lao border appears to relate directly to a minor military incident and, while reflecting the level of tension that exists in the area, does not appear to signal any broader policy by Bangkok to punish the Lao -- and by extension the Vietnamese -- through a sealing of the border. (C)

ASEAN-Kampuchea

The prospect of a merger of the KPNLF headed by Son Sann with the DK -- if only "in principle" -- has sparked considerable speculation and optimism in the region about the viability of a united front of Khmer arrayed against the Vietnamese. This prospect has also caused Sihanouk to reverse himself once again and to agree to work with the DK but under conditions that are as yet not fully spelled out but appear inconsistent with both the interests of the DK and the KPNLF. Analysts were generally in agreement that the prospects of

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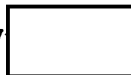
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a meaningful coalition developing in the near term were poor. A few analysts suggested Vietnamese reaction to this turn of events was a possible cause for concern. The Vietnamese have not exercised significant military activity in the border thus far in the dry season. Nonetheless, they continue to have the capability to make selective moves against pre-planned targets and could conceivably make a political decision to hit at the KPNLF forces to weaken the prospects of a coalition. This could involve some limited incursions into Thailand both to hurt the resistance and to demonstrate to the Thai the price of complicity in supporting the united front effort. Any move in this direction would most probably be carefully planned and calculated by Hanoi. (S)



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